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**From:**

**Sent:** Wednesday, November 24, 2010 4:03:35 PM

**To:**

**Cc:**

**Subject:** Relocation expenses and Discharge

In consultation with the Collection experts in Counsel, below is the answer to your question concerning whether the IRS can require a taxpayer to pay the IRS the amount of relocation expenses as a condition of discharge. Recently, the Treasury Department introduced the Home Affordable Foreclosure Alternatives (HAFA) program. The HAFA program took effect on April 5, 2010. Borrowers who participate in a HAFA transaction are eligible for \$3,000 in relocation assistance. If the senior lender provides the taxpayer with the \$3,000 relocation assistance required under the HAFA program, the IRS cannot require the taxpayer to turn the \$3,000 over in exchange for the lien discharge. The HAFA program payment is a payment directly made to the taxpayer to assist in relocation. As such, the relocation payment has no bearing upon the taxpayer's equity in the property under a discharge analysis. Rather, this is just a payment to the taxpayer. Furthermore, under the terms of this program, since this is a required payment as a condition of participation in the program, it would likely be treated as an ordinary expense of sale to be allowed priority despite being reached by the federal tax lien. If a lender provides relocation assistance because the lender believes it makes good business sense and not because it is required under HAFA, the legal answer is the same. The IRS cannot require the taxpayer to pay the IRS the amount of the relocation expenses as a condition of discharge.